WEEKLY ECONOMIC REVIEW

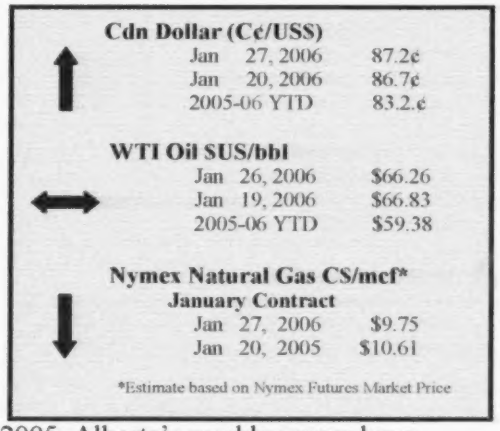
January 27, 2006

Early in the week, Canadians elected a minority Conservative government with 124 seats from a possible 308. Liberals won 103 seats, 32 less than last election, the NDP increased 10 seats to 29 and the Bloc Québécois collected 51, a loss of 3 seats. The Conservatives' slim mandate is likely to remain challenging, but the Liberals and the NDP together do not command a majority. The Conservatives will officially be sworn in on February 6th.

Also this week, the Bank of Canada raised its key interest rate to 3.5 per cent from 3.25 per cent, the fourth consecutive increase. With the economy operating at full capacity and the Bank concerned with inflationary pressures, another rate hike is anticipated at the next interest rate announcement on March 7th. The Bank of Canada also reported in their monetary policy report update that the Canadian economy is expected to grow by 2.9 per cent in 2005 and 3.1 per cent in 2006, an upward revision from October.

Retail sales in Alberta increased by 12.0 per cent in the first 11 months of 2005, nearly double the Canadian average of 6.3 per cent.

Average weekly earnings increased by 0.8 per cent in November, keeping Alberta with the highest weekly wages ($789.15) among the provinces. In the first 11 months of 2005, Alberta's weekly wages have increased by 5.4 per cent, 2.3 percentage points above the Canadian average.



The Canadian dollar dipped earlier this week on news of another minority government. However, the minor decline did not persist, as the loonie recovered during the week.

The U.S. economy grew by an advanced estimate of 1.1 per cent in the fourth quarter of 2005, the slowest growth for a quarter in three years. For 2005, U.S. GDP growth is estimated to be 3.5 per cent.

Oil prices remained fairly stable through the week, while natural gas prices dipped slightly due to higher supply levels and forecasts of warmer-than-normal temperatures in February.

Economic Indicators Released this Week	Reference Period	Month/Previous Month	Month/Previous Year's Month	Year-to-date[1]
Average Weekly Earnings ($)	**November**			
Alberta	789.15	0.8%	6.0%	5.4%
Canada	739.82	0.3%	4.4%	3.1%
Retail Trade ($ millions)	**November**			
Alberta	4,203	1.4%	12.0%	12.0%
Canada	31,308	1.1%	5.5%	6.3%

Source: Statistics Canada

[1] *Year-to-date 2005 compared to the same time period in 2004. For example: January-November 2005 versus January-November 2004*